

# Audit Report

## **Keweenaw Bay Indian Community WIC Program**

October 1, 2010 – September 30, 2011



Office of Audit  
Quality Assurance and Review Section  
July 2012



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH  
OFFICE OF AUDIT  
400 S. PINE; LANSING, MI 48933

OLGA DAZZO  
DIRECTOR

July 9, 2012

Larry J. Denomie III, CEO  
Keweenaw Bay Indian Community  
16429 Bear Town Road  
Baraga, Michigan 49908

Dear Mr. Denomie:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Keweenaw Bay Indian Community WIC Program for the period October 1, 2010 through September 30, 2011.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions; Statement of MDCH Grant Program Revenues and Expenditures; and Comments and Recommendations. No exceptions were noted during our review. However, one comment and recommendation is included on Page 5 of the report.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in cursive script that reads "Debra S. Hallenbeck".

Debra S. Hallenbeck, Manager  
Quality Assurance and Review  
Office of Audit

Enclosure

cc: Stan Bien, Director, WIC Division  
Pam Myers, Director, Office of Audit  
Michael Gribbin, Auditor, Office of Audit

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## **DESCRIPTION OF AGENCY**

The Keweenaw Bay Indian Community (The Tribe) is governed by the Tribal Council. The Tribe is located on the Keweenaw Bay Reservation in Baraga County, and the administrative office is located in Baraga, Michigan. The Tribe provides a wide variety of general governmental and grant activities including the Women, Infants, and Children (WIC) Supplemental Food Program.

## **FUNDING METHODOLOGY**

The Tribe's services are funded from local sources and grant programs. The Michigan Department of Community Health (MDCH) provides The Tribe with grant funding monthly, based on Financial Status Reports, in accordance with the terms and conditions of the grant agreement and budget.

Grant funding from MDCH for the WIC Program is federal funding under federal catalog number 10.557, and is first source funding, subject to performance requirements. That is, reimbursement from MDCH is based upon the understanding that a certain level of performance (measured in caseload established by MDCH) must be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

## **PURPOSE AND OBJECTIVES**

The purpose of this audit was to assess the WIC Program internal controls and financial reporting, and to determine the MDCH share of WIC Program costs. The following were the specific objectives of the audit:

1. To assess the Tribe's effectiveness in establishing and implementing internal controls over the WIC Program.
2. To assess the Tribe's effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Tribe.

## SCOPE AND METHODOLOGY

We examined the Tribe's records and activities for the fiscal period October 1, 2010 to September 30, 2011. Our review procedures included the following:

- Reviewed the most recent Keweenaw Bay Indian Community Single Audit report for any WIC Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the WIC Program Financial Status Report (FSR) to the accounting records.
- Reviewed payroll expenditures.
- Tested a sample of expenditures for program compliance, and policy and approval procedures.

Our audit did not include a review of program content or quality of services provided.

## CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

### INTERNAL CONTROLS

**Objective 1:** To assess the Tribe's effectiveness in establishing and implementing internal controls over the WIC Program.

**Conclusion:** The Tribe was effective in establishing and implementing internal controls over the WIC Program. No internal control exceptions were noted.

### FINANCIAL REPORTING

**Objective 2:** To assess the Tribe's effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

**Conclusion:** The Tribe reported its WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. No financial reporting exceptions were noted.

## **MDCH SHARE OF COSTS**

**Objective 3:** To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Tribe.

**Conclusion:** The MDCH obligation under the WIC Program for fiscal year ended September 30, 2011, is \$66,672. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC grant program funding.

**Keweenaw Bay Indian Community  
WIC Supplemental Food Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/10 - 9/30/11**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$66,672	\$66,672 <sup>1</sup>	\$0	\$66,672
Local and Other Funds	\$0	\$0	\$0	\$0
<b>TOTAL REVENUES</b>	\$66,672	\$66,672	\$0	\$66,672
<b>EXPENDITURES:</b>				
Salary and Wages	\$34,977	\$35,488	\$0	\$35,488
Fringe Benefits	\$20,012	\$19,455	\$0	\$19,455
Contractual	\$3,007	\$2,821	\$0	\$2,821
Supplies	\$4,700	\$4,968	\$0	\$4,968
Travel	\$3,596	\$3,550	\$0	\$3,550
Space Cost	\$0	\$0	\$0	\$0
Other Expense	\$380	\$389	\$0	\$389
Indirect Cost	\$0	\$0	\$0	\$0
<b>TOTAL EXPENDITURES</b>	\$66,672	\$66,672	\$0	\$66,672

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

## **Comments and Recommendations**

### **1. Administrative Expenses Not Allocated to WIC**

The Tribe did not allocate administrative expenses to WIC. Costs for utilities, mortgage, administrative salaries, and administrative benefits were not allocated to WIC. The Tribe negotiated an indirect rate of 34.90% of salaries and wages with the U.S. Department of the Interior, but did not expense any costs to WIC. Administrative and space costs have a direct benefit to WIC and these costs should be allocated to WIC. The Tribe should report WIC's share of these costs on the FSR and show that local funds were used to pay for these expenses. The MDCH contract (Part II, Section IV, Part C) requires that FSRs report total actual program expenditures regardless of the source of funds. We recommend that the Tribe equitably allocate administrative costs to the WIC Program, and report these costs on the FSR regardless of the funding source.

**Agency Response:** The Tribe does not agree with MDCH regarding the necessity of allocating and reporting the applicable space and indirect expenses. However, the Tribe will comply with the MDCH requirements in the 2011-2012 fiscal year.